

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>		Printed Name		License Number

VILLAGE OF EDMORE

Montcalm County

FINANCIAL STATEMENTS

February 29, 2008

VILLAGE OF EDMORE

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Certified Public Accountants



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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Edmore
Montcalm County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Edmore, as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Edmore's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Edmore, as of February 29, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedules as identified in the table of contents are not a required part of the basic financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Edmore's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Village has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not a required part of, the financial statements.

Berthiaume & Co.

May 1, 2008

BASIC FINANCIAL STATEMENTS

VILLAGE OF EDMORE

STATEMENT OF NET ASSETS

February 29, 2008

	<i>Primary Government</i>			<i>Component</i>
	<i>Governmental</i>	<i>Business-type</i>		<i>Units</i>
	<i>Activities</i>	<i>Activities</i>	<i>Total</i>	
Assets:				
Cash and cash equivalents	\$ 3,608,819	\$ 837,851	\$ 4,446,670	\$ 217,031
Receivables	379,889	21,772	401,661	37,629
Capital assets:				
Nondepreciable capital assets	110,026	15,804	125,830	-
Depreciable capital assets, net	405,157	697,531	1,102,688	-
Total assets	4,503,891	1,572,958	6,076,849	254,660
Liabilities:				
Accounts payable and accrued expenses	7,905	6,725	14,630	1,232
Total liabilities	7,905	6,725	14,630	1,232
Net assets:				
Invested in capital assets, net of related debt	515,183	713,335	1,228,518	-
Restricted for:				
Streets	530,600	-	530,600	-
Sunrise project	1,974,732	-	1,974,732	-
Unrestricted	1,475,471	852,898	2,328,369	253,428
Total net assets	\$ 4,495,986	\$ 1,566,233	\$ 6,062,219	\$ 253,428

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

STATEMENT OF ACTIVITIES

Year Ended February 29, 2008

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT:					
<i>Governmental activities:</i>					
General government	\$ 147,485	\$ 31,396	\$ -	\$ 13,500	\$ (102,589)
Public safety	86,555	1,167	3,066	-	(82,322)
Public works	264,961	11,229	105,609	12,000	(136,123)
Community and economic development	465,327	6,000	2,410,000	-	1,950,673
Recreation and culture	22,007	-	-	-	(22,007)
Total governmental activities	<u>986,335</u>	<u>49,792</u>	<u>2,518,675</u>	<u>25,500</u>	<u>1,607,632</u>
<i>Business-type activities:</i>					
Sewer	119,209	94,017	-	-	(25,192)
Water	181,554	200,494	-	-	18,940
Total business-type activities	<u>300,763</u>	<u>294,511</u>	<u>-</u>	<u>-</u>	<u>(6,252)</u>
Total primary government	<u>\$1,287,098</u>	<u>\$ 344,303</u>	<u>\$ 2,518,675</u>	<u>\$ 25,500</u>	<u>\$ 1,601,380</u>
COMPONENT UNITS:					
Downtown development authority	<u>\$ 105,657</u>	<u>\$ 34,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (71,351)</u>
Total component units	<u>\$ 105,657</u>	<u>\$ 34,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (71,351)</u>

continued

The accompanying notes are an integral part of these financial statements.

	<i>Primary Government</i>			
	<i>Governmental Activities</i>	<i>Business- type Activities</i>	<i>Total</i>	<i>Component Units</i>
<i>Changes in net assets:</i>				
Net (Expense) Revenue	\$ 1,607,632	\$ (6,252)	\$ 1,601,380	\$ (71,351)
General revenues:				
Taxes:				
Property taxes, levied for general purpose	252,778	-	252,778	-
Property taxes captured by component unit	-	-	-	74,929
Payment in lieu of property taxes	7,941	-	7,941	-
Franchise taxes	1,247	-	1,247	-
Grants and contributions not restricted to specific programs	119,625	-	119,625	-
Unrestricted investment earnings	95,265	59,019	154,284	5,098
Special item - Gain on sale of capital asset	1,900	-	1,900	-
Total general revenues, contributions, special items and transfers	478,756	59,019	537,775	80,027
Change in net assets	2,086,388	52,767	2,139,155	8,676
Net assets, beginning of year	2,409,598	1,513,466	3,923,064	244,752
Net assets, end of year	\$ 4,495,986	\$ 1,566,233	\$ 6,062,219	\$ 253,428

VILLAGE OF EDMORE

GOVERNMENTAL FUNDS

BALANCE SHEET

February 29, 2008

	<i>General Fund</i>	<i>Economic Development Fund</i>	<i>Sunrise Project Fund</i>	<i>Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:					
Cash and cash equivalents	\$ 540,383	\$ 454,985	\$ 1,974,732	\$ 530,085	\$ 3,500,185
Notes receivable	-	313,004	-	-	313,004
Due from other governmental units	37,440	-	-	17,837	55,277
Due from other funds	11,608	-	-	3,235	14,843
Total assets	<u>\$ 589,431</u>	<u>\$ 767,989</u>	<u>\$ 1,974,732</u>	<u>\$ 551,157</u>	<u>\$ 3,883,309</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 3,089	\$ -	\$ -	\$ 168	\$ 3,257
Accrued expenses	1,634	-	-	1,192	2,826
Due to other funds	-	-	-	3,235	3,235
Deferred revenue	-	313,004	-	-	313,004
Total liabilities	<u>4,723</u>	<u>313,004</u>	<u>-</u>	<u>4,595</u>	<u>322,322</u>
Fund balances:					
Unreserved:					
General fund	584,708	-	-	-	584,708
Special revenue funds	-	454,985	-	546,562	1,001,547
Capital project fund	-	-	1,974,732	-	1,974,732
Total fund balances	<u>584,708</u>	<u>454,985</u>	<u>1,974,732</u>	<u>546,562</u>	<u>3,560,987</u>
Total liabilities and fund balances	<u>\$ 589,431</u>	<u>\$ 767,989</u>	<u>\$ 1,974,732</u>	<u>\$ 551,157</u>	<u>\$ 3,883,309</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

RECONCILIATION OF FUND BALANCES OF THE GOVERNMENT FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

February 29, 2008

Total fund balances for governmental funds \$ 3,560,987

Total net assets reported for governmental activities in the statement of
of net assets is different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported in the governmental funds.

Governmental capital assets	550,412	
Less accumulated depreciation	<u>(161,997)</u>	388,415

Deferred revenues reported in the governmental funds are recognized as
revenues for the governmental activities.

Notes receivable		313,004
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The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.	<u>233,580</u>
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Net assets of governmental activities \$ 4,495,986

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 29, 2008

	<i>General Fund</i>	<i>Economic Development Fund</i>	<i>Sunrise Project Fund</i>	<i>Non-Major Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:					
Property taxes	\$ 263,522	\$ -	\$ -	\$ -	\$ 263,522
Licenses and permits	1,247	-	-	-	1,247
State grants	119,625	-	-	105,952	225,577
Contributions from other units	-	-	-	2,723	2,723
Charges for services	16,765	-	-	-	16,765
Fines and forfeits	-	-	-	60	60
Interest and rents	54,513	13,813	31,324	11,384	111,034
Other revenue	<u>23,812</u>	<u>57,032</u>	<u>2,410,000</u>	<u>1,202</u>	<u>2,492,046</u>
Total revenues	<u>479,484</u>	<u>70,845</u>	<u>2,441,324</u>	<u>121,321</u>	<u>3,112,974</u>
Expenditures:					
Current					
General government	131,905	-	-	-	131,905
Public safety	-	-	-	77,202	77,202
Public works	158,876	-	-	78,046	236,922
Community and economic development	-	300	460,592	-	460,892
Recreation and culture	16,828	-	-	-	16,828
Other	11,052	-	-	-	11,052
Capital outlay	<u>13,195</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,195</u>
Total expenditures	<u>331,856</u>	<u>300</u>	<u>460,592</u>	<u>155,248</u>	<u>947,996</u>
Excess (deficiency) of revenues over expenditures	<u>147,628</u>	<u>70,545</u>	<u>1,980,732</u>	<u>(33,927)</u>	<u>2,164,978</u>
Other financing sources (uses):					
Transfers in	-	-	-	93,007	93,007
Transfers out	<u>(79,500)</u>	<u>-</u>	<u>(6,000)</u>	<u>(18,007)</u>	<u>(103,507)</u>
Total other financing sources (uses)	<u>(79,500)</u>	<u>-</u>	<u>(6,000)</u>	<u>75,000</u>	<u>(10,500)</u>
Net change in fund balances	68,128	70,545	1,974,732	41,073	2,154,478
Fund balances, beginning of year	<u>516,580</u>	<u>384,440</u>	<u>-</u>	<u>505,489</u>	<u>1,406,509</u>
Fund balances, end of year	<u>\$ 584,708</u>	<u>\$ 454,985</u>	<u>\$ 1,974,732</u>	<u>\$ 546,562</u>	<u>\$ 3,560,987</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended February 29, 2008

Net change in fund balances - total governmental funds \$ 2,154,478

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	13,195	
Less depreciation expense	<u>(22,963)</u>	(9,768)

Collection of certain items recorded as deferred revenue are considered current financial resources in the governmental funds. In the statement of activities, these items have been recorded as revenue in previous years.

Note repayments	(61,467)
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The net revenue (expense) of the internal service fund is reported with governmental activities.

3,145

Change in net assets of governmental activities \$ 2,086,388

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

PROPRIETARY FUNDS STATEMENT OF NET ASSETS

February 29, 2008

				<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Assets:				
Current assets:				
Cash and cash equivalents	\$ 270,371	\$ 567,480	\$ 837,851	\$ 108,634
Accounts receivable	10,189	11,583	21,772	-
Total current assets	280,560	579,063	859,623	108,634
Noncurrent assets:				
Capital assets:				
Nondepreciable capital assets	13,050	2,754	15,804	-
Depreciable capital assets, net	105,602	591,929	697,531	126,768
Total noncurrent assets	118,652	594,683	713,335	126,768
Total assets	399,212	1,173,746	1,572,958	235,402
Liabilities:				
Current liabilities:				
Accounts payable	3,251	1,650	4,901	683
Accrued expenses	824	1,000	1,824	1,139
Total current liabilities	4,075	2,650	6,725	1,822
Net assets:				
Invested in capital assets, net of related debt	118,652	594,683	713,335	126,768
Unrestricted	276,485	576,413	852,898	106,812
Total net assets	\$ 395,137	\$ 1,171,096	\$ 1,566,233	\$ 233,580

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended February 29, 2008

				<i>Governmental</i>
				<i>Activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Total</i>	<i>Internal</i>
	<i>Fund</i>	<i>Fund</i>	<i>Enterprise</i>	<i>Service</i>
	<i>Funds</i>	<i>Funds</i>	<i>Funds</i>	<i>Funds</i>
Operating revenues:				
Charges for services	\$ 92,404	\$ 116,784	\$ 209,188	\$ -
Penalties	1,613	1,825	3,438	-
Equipment rental	-	-	-	69,946
Other	-	81,885	81,885	-
Total operating revenues	94,017	200,494	294,511	69,946
Operating expenses:				
Personnel	44,059	48,370	92,429	30,620
Fringe benefits	24,206	27,164	51,370	16,814
Supplies	1,404	3,761	5,165	10,087
Contracted services	23,051	42,242	65,293	1,286
Telephone	768	1,604	2,372	-
Mileage	240	-	240	-
Dues and membership fees	50	120	170	-
Education and training	-	186	186	-
Insurance	2,167	2,897	5,064	5,315
Utilities	4,108	10,525	14,633	-
Repairs and maintenance	539	1,592	2,131	5,457
Equipment rental	10,437	10,521	20,958	-
Depreciation	8,180	32,572	40,752	24,503
Total operating expenses	119,209	181,554	300,763	94,082
Operating income (loss)	(25,192)	18,940	(6,252)	(24,136)

continued

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS, CONTINUED

Year Ended February 29, 2008

				<i>Governmental</i>
				<i>Activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Total</i>	<i>Internal</i>
	<i>Fund</i>	<i>Fund</i>	<i>Enterprise</i>	<i>Service</i>
			<i>Funds</i>	<i>Funds</i>
Non-operating revenues				
(expenses):				
Interest income	8,960	50,059	59,019	2,881
Contribution from DDA	-	-	-	12,000
Gain on sale of asset	-	-	-	1,900
Total non-operating revenues	8,960	50,059	59,019	16,781
Net income (loss) before operating transfers	(16,232)	68,999	52,767	(7,355)
Operating transfers:				
Transfer from other funds	-	-	-	10,500
Net income (loss)	(16,232)	68,999	52,767	3,145
Net assets, beginning of year	411,369	1,102,097	1,513,466	230,435
Net assets, end of year	<u>\$ 395,137</u>	<u>\$ 1,171,096</u>	<u>\$ 1,566,233</u>	<u>\$ 233,580</u>

The accompanying notes are an integral part of these financial statements.

VILLAGE OF EDMORE

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

Year Ended February 29, 2008

				<i>Governmental Activities</i>
	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Total Enterprise Funds</i>	<i>Internal Service Funds</i>
Cash flow from operating activities:				
Cash received from customers	\$ 93,757	\$ 90,700	\$ 184,457	\$ -
Cash received for interfund services				70,063
Cash payments to employees	(44,059)	(48,370)	(92,429)	(30,620)
Cash payments to suppliers for goods and services	<u>(64,253)</u>	<u>(99,578)</u>	<u>(163,831)</u>	<u>(38,887)</u>
Net cash provided (used) by operating activities	<u>(14,555)</u>	<u>(57,248)</u>	<u>(71,803)</u>	<u>556</u>
Cash flows from capital and related financing activities:				
Transfers in	-	-	-	10,500
Capital contribution from DDA	-	-	-	12,000
Acquisition and construction of capital assets	(14,187)	-	(14,187)	(22,690)
Proceeds from the sale of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,900</u>
Net cash used by capital and related financing activities	<u>(14,187)</u>	<u>-</u>	<u>(14,187)</u>	<u>1,710</u>
Cash flows from investing activities:				
Interest received	<u>8,960</u>	<u>50,059</u>	<u>59,019</u>	<u>2,881</u>
Net cash provided by investing activities	<u>8,960</u>	<u>50,059</u>	<u>59,019</u>	<u>2,881</u>
Net increase (decrease) in cash and cash equivalents	(19,782)	(7,189)	(26,971)	5,147
Cash and cash equivalents, beginning of year	<u>290,153</u>	<u>574,669</u>	<u>864,822</u>	<u>103,487</u>
Cash and cash equivalents, end of year	<u>\$ 270,371</u>	<u>\$ 567,480</u>	<u>\$ 837,851</u>	<u>\$ 108,634</u>

continued

The accompanying notes are an integral part of this statement.

VILLAGE OF EDMORE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS, CONTINUED

Year Ended February 29, 2008

				<i>Governmental</i>
				<i>Activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Total</i>	<i>Internal</i>
	<i>Fund</i>	<i>Fund</i>	<i>Enterprise</i>	<i>Service</i>
	<u><i>Fund</i></u>	<u><i>Fund</i></u>	<u><i>Funds</i></u>	<u><i>Funds</i></u>
Reconciliation of operating income (loss)				
to net cash provided (used) by				
operating activities:				
Operating income (loss)	\$ (25,192)	\$ 18,940	\$ (6,252)	\$ (24,136)
Adjustments:				
Depreciation	8,180	32,572	40,752	24,503
Change in assets and liabilities:				
Accounts receivable	(260)	(1,112)	(1,372)	117
Accounts payable and				
accrued expenses	2,717	1,034	3,751	72
Deferred revenue	-	(108,682)	(108,682)	-
	<u>-</u>	<u>(108,682)</u>	<u>(108,682)</u>	<u>-</u>
Net cash provided (used) by				
operating activities	<u>\$ (14,555)</u>	<u>\$ (57,248)</u>	<u>\$ (71,803)</u>	<u>\$ 556</u>

The accompanying notes are an integral part of this statement.

VILLAGE OF EDMORE

FIDUCIARY FUNDS **STATEMENT OF NET ASSETS**

February 29, 2008

Assets:

Cash and cash equivalents	\$ 49,012
Total assets	<u>49,012</u>

Liabilities:

Accounts payable and accrued expenses	37,404
Due to Other Funds	<u>11,608</u>
Total liabilities	<u>49,012</u>

Net Assets:

Unrestricted	<u>-</u>
Total net assets	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

BASIC FINANCIAL STATEMENTS

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS

February 29, 2008

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Edmore conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

Reporting Entity:

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Village and its component units. In evaluating the Village as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Village may be financially accountable and, as such, should be included within the Village's financial statements. The Village (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the Village. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the Village's reporting entity because of their operational or financial relationship with the Village.

Discretely Presented Component Units - The component unit column in the government-wide financial statements includes the financial data of the Village's one component unit. This unit is reported in a separate column to emphasize that it is legally separate from the Village. The component unit is described as follows:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority (DDA) are appointed by the Village Council. The budgets and expenditures of the Downtown Development Authority must be approved by the Village Council. The Village also has the ability to significantly influence operations of the Downtown Development Authority. Complete separate financial statements of the Downtown Development Authority are not prepared.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 29, 2008

by the provider have been met. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the non-fiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Village’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Village does not allocate indirect costs. In creating the government-wide financial statements the Village has eliminated inter fund transactions.

The government-wide focus is on the sustainability of the Village as an entity and the change in the Village’s net assets resulting from current year activities.

Fund Financial Statements:

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 29, 2008

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Village's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Village reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Village. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Economic Development Fund** is used to account for loans and repayments (revolving loans) to local business to encourage economic growth in the Village.

The **Sunrise Project Fund** which was established during the year to account for the revenues and expenditures in connection with the development, operation and/or sale of the former Hitachi Magnetics Corporation manufacturing facility.

The Village reports the following major enterprise funds:

The **Sewer Fund** is used to account for the revenues and expenses for the operation of a sewer system.

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 29, 2008

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Village has elected not to follow subsequent private-sector guidance.

Assets, Liabilities and Equity:

Deposits and Investments – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Village considers all highly liquid investments (including restricted assets) with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

Interfund Receivables and Payables – Generally, outstanding amounts owed between funds are classified as “due from/to other funds.” These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

Inventories and Prepaid Items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Village defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	15-20 years
Vehicles	5-10 years
Equipment	5-20 years
Distribution systems	25-80 years
Infrastructure	5-50 years

Long-term Obligations – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 29, 2008

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications:

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the “grossing up” effect on assets and liabilities within the governmental activities column.

Property Taxes:

Village property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before September 14.

The 2007 taxable valuation of the Village totaled \$ 21,856,599, on which ad valorem taxes levied consisted of 11.1429 mills for the Village’s operating purposes and 1.4791 mills for rubbish collection.

The delinquent real property taxes of the Village are purchased by Montcalm County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information:

The Village follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Village Manager submits to the Village Council a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to March 1, the budget is legally enacted by adoption of the Village Council.
4. Any revision that alters the total expenditures of any fund must be approved by the Village.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as originally adopted and amended by the Village Council is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Village did not incur expenditures that were in excess of the amounts budgeted.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 29, 2008

NOTE 3: CASH AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Village Council is in accordance with Public Act 196 of 1997. The Village's deposits and investments have been made in accordance with statutory authority.

The Village's deposits are subject to several types of risk, which are presented in more detail as follows:

Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned. The Village does not have a deposit policy for custodial credit risk. At year end, the Village had \$4,816,689 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$2,433,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

NOTE 4: NOTES RECEIVABLE

The Economic Development Fund makes low and non-interest bearing loans to businesses located within the Village's Downtown Development District. The balance of these notes at February 29, 2008 was \$313,004. This balance was recorded on the statement of net assets as a receivable. No allowance has been made for uncollectible amounts because all are currently considered collectable.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 29, 2008

NOTE 5: DEFERRED REVENUE IN GOVERNMENTAL FUNDS

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<i>Unavailable</i>	<i>Unearned</i>	<i>Total Deferred Revenue</i>
Primary Government:			
Notes receivable	\$ 313,004	\$ -	\$ 313,004

Only the unearned component of deferred revenue is carried forward to the government-wide statement of net assets.

NOTE 6: CAPITAL ASSETS

Primary Government and Component Unit capital asset activity for the year ended February 29, 2008 was as follows:

	<i>Beginning Balance</i>	<i>Additions</i>	<i>Retirements</i>	<i>Ending Balance</i>
Governmental activities:				
Depreciable capital assets:				
Buildings and improvements	\$ 82,933	\$ -	\$ -	\$ 82,933
Land improvements	219,075	13,195	-	232,270
Equipment	287,729	22,690	(11,247)	299,172
Vehicles	225,130	-	-	225,130
Total depreciable capital assets	814,867	35,885	(11,247)	839,505
Accumulated depreciation	(398,129)	(47,466)	11,247	(434,348)
Net depreciable capital assets	416,738	(11,581)	-	405,157
Nondepreciable capital assets:				
Land	110,026	-	-	110,026
Governmental activities, capital assets, net	\$ 526,764	\$ (11,581)	\$ -	\$ 515,183

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 29, 2008

NOTE 6: CAPITAL ASSETS, continued

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Retirements</u></i>	<i><u>Ending Balance</u></i>
Business-type activities:				
Depreciable capital assets:				
Equipment	\$ 121,169	\$ 14,187	\$ -	\$ 135,356
Distribution system	<u>2,086,691</u>	<u>-</u>	<u>-</u>	<u>2,086,691</u>
Total depreciable capital assets	2,207,860	14,187	-	2,222,047
Accumulated depreciation	<u>(1,483,764)</u>	<u>(40,752)</u>	<u>-</u>	<u>(1,524,516)</u>
Depreciable capital assets, net	724,096	(26,565)	-	697,531
Nondepreciable capital assets:				
Land	<u>15,804</u>	<u>-</u>	<u>-</u>	<u>15,804</u>
Business-type activities, capital assets, net	<u>\$ 739,900</u>	<u>\$ (26,565)</u>	<u>\$ -</u>	<u>\$ 713,335</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 4,528
Public safety	9,353
Public works	28,406
Recreation and culture	<u>5,179</u>
Total governmental activities	<u>\$ 47,466</u>
Business-type activities:	
Sewer	\$ 8,180
Water	<u>32,572</u>
Total business-type activities	<u>\$ 40,752</u>

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 29, 2008

NOTE 7: DEFERRED REVENUE IN WATER FUND

On September 8, 1997, the Village entered into a "Water Service Contract" with Home Township. The purpose of the contract is for the Village of Edmore to provide public water service within a designated service area on a retail basis to meet the potable water needs of certain businesses and residents in the Township. In conjunction with this contract the Village and the Township entered into a separate Water Main Construction Agreement with Hitachi Magnetics Corporation and General Electric Corporation. In association with this connection Hitachi Magnetics and General Electric were required to pay the Village a sum of \$240,100. This amount was recorded on the Water Fund balance sheet as a Deferred Revenue because the contract stipulates that if the contract is terminated during the first ten years, a portion of the project/construction costs paid by General Electric Company and Hitachi Magnetic Corporation (plus interest) are to be reimbursed to them pro-rated based on the years the contract actually stayed in effect. As of February 29, 2008 the contract has reached full term, the balance of the deferred revenue (unearned portion of the \$240,100 receipt plus interest) is \$0.

NOTE 8: LONG-TERM LIABILITIES

The Village may issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment.

For the year ended February 29, 2008 the Village had no long-term liability transactions.

NOTE 9: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

Receivables and payables as of year end for the Village's governmental and business-type activities in the aggregate are as follows:

	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Component Unit - D.D.A.</i>
Receivables:			
Taxes	\$ -	\$ -	\$ 37,629
Accounts	-	21,772	-
Notes	313,004	-	-
Intergovernmental	55,277	-	-
Due from agency funds	11,608	-	-
Total receivables	<u>\$ 379,889</u>	<u>\$ 21,772</u>	<u>\$ 37,629</u>
Accounts payable and accrued expenses:			
Accounts	\$ 3,940	\$ 4,901	\$ 1,232
Payroll and related liabilities	3,965	1,824	-
Total accounts payable and accrued expenses	<u>\$ 7,905</u>	<u>\$ 6,725</u>	<u>\$ 1,232</u>

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 29, 2008

NOTE 10: INTERFUND BALANCES AND TRANSFERS

The composition of interfund receivable and payable balances at February 29, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Local Street Fund	Major Street Fund	<u>\$ 3,235</u>

Management does not anticipate individual interfund balances to remain outstanding for periods in excess of one year. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers reported in the fund statements were as follows:

<u>Funds Transferred From</u>	<u>Funds Transferred To</u>	<u>Amount</u>
General Fund	Police Fund	\$ 75,000
	Internal Service Fund	<u>4,500</u>
		79,500
Major Street Fund	Local Street Fund	18,007
Sunrise Project Fund	Internal Service Fund	<u>6,000</u>
	Total	<u>\$ 103,507</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the various funds to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 11: RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; injuries to employees (workers' compensation); and certain medical benefits provided to employees.

The Village manages its risk liability with products administered through the Michigan Municipal League. Liability and property risk, by participating in Liability and Property Pool, workers compensation, by participating in the Worker's Compensation Fund, health insurance, by participating in Municipal Benefit Services, and unemployment, by participating in the Unemployment Compensation Fund. All these plans are self-sustaining through member premiums and provide, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 29, 2008

NOTE 12: DEFINED CONTRIBUTION PENSION PLAN

The Village has a defined contribution pension plan administered by The Equitable Life Assurance Society of the United States. All employees that have reached age 18, worked at least six months in the last five plan years, and made more than \$450 in the plan year are eligible for benefits. The Village contributes 10% of each eligible employee's pay to the plan. For the fiscal year ended February 29, 2008, the Village made contributions of \$29,736 into the pension plan.

NOTE 13: POST EMPLOYMENT BENEFITS

The Village currently does not provide post employment benefits other than its pension plan.

NOTE 14: CONTRIBUTION FROM HITACHI MAGNETICS CORPORATION/ SUNRISE CAPITAL PROJECT FUND

During the year the Village of Edmore entered into a Property Donation Agreement with Hitachi Magnetics Corporation (HMC).

The agreement dated August 27, 2007 sets forth certain obligations and conditions for the donation and conveyance of a former Hitachi manufacturing facility, buildings and property (approximately 62 acres) to the Village of Edmore. As part of this agreement HMC also gave the Village \$2,400,000 which must be used exclusively to help the Village defray the cost of future upgrades, demolition, remodeling, new structures, operation and maintenance of the donated property.

The agreement required that the Village enter into a lease with HMC for a term of five (5) years to provide HMC with office space. The Village will receive rent from HMC of \$1,000 per month.

The agreement also addresses various environmental matters and restrictions for the future use of the property.

The Village accounts for this donation as an economic development activity in a capital project fund entitled the Sunrise Project Fund. Because of the various restrictions, conditions and obligations connected with the property the Village has determined that no value for the property should be recorded at this time.

The Village intends, as soon as possible, to prepare, dispose or sell the property for future commercial and business use.

VILLAGE OF EDMORE

NOTES TO FINANCIAL STATEMENTS, CONTINUED

February 29, 2008

NOTE 15: COMPONENT UNIT REPORTING

A Balance Sheet as of February 29, 2008, and Statement of Revenues, Expenditures, and Changes in Fund balance for the year then ended for Downtown Development Authority follows:

BALANCE SHEET

Assets:

Cash and cash equivalents	\$ 217,031
Taxes receivable	<u>37,629</u>
Total assets	<u><u>\$ 254,660</u></u>

Liabilities and Fund Balances:

Liabilities:

Accounts payable	\$ <u>1,232</u>
Total liabilities	<u>1,232</u>

Fund balances:

Unreserved	<u>253,428</u>
Total fund balances	<u>253,428</u>
Total liabilities and fund balances	<u><u>\$ 254,660</u></u>

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Revenues:

Property taxes	\$ 74,929
Interest and rents	5,098
Other revenue	<u>34,306</u>
Total revenues	<u>114,333</u>

Expenditures:

Current	
Community and economic development	<u>105,657</u>
Total expenditures	<u>105,657</u>
Excess (deficiency) of revenues over expenditures	8,676
Fund balances, beginning of year	<u>244,752</u>
Fund balances, end of year	<u><u>\$ 253,428</u></u>

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF EDMORE

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2008

	<i>Budgeted Amounts</i>			<i>Actual Over (Under)</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	<i>Final Budget</i>
Revenues:				
Property taxes	\$ 278,950	\$ 307,902	\$ 263,522	\$ (44,380)
Licenses and permits	1,700	1,700	1,247	(453)
State grants	115,000	120,035	119,625	(410)
Charges for services	26,500	19,000	16,765	(2,235)
Interest and rents	33,245	56,248	54,513	(1,735)
Other revenue	21,600	24,487	23,812	(675)
Total revenues	476,995	529,372	479,484	(49,888)
Expenditures:				
Current				
General government	144,875	153,456	131,905	(21,551)
Public works	151,430	169,093	158,876	(10,217)
Community and economic development	100	100	-	(100)
Recreation	17,280	18,905	16,828	(2,077)
Other	11,575	11,575	11,052	(523)
Capital outlay	12,500	13,195	13,195	-
Total expenditures	337,760	366,324	331,856	(34,468)
Excess (deficiency) of revenues over expenditures	139,235	163,048	147,628	(15,420)
Other financing sources (uses):				
Transfers out	(130,000)	(119,500)	(79,500)	(40,000)
Total other financing sources (uses)	(130,000)	(119,500)	(79,500)	(40,000)
Net change in fund balance	9,235	43,548	68,128	24,580
Fund balance, beginning of year	516,580	516,580	516,580	-
Fund balance, end of year	\$ 525,815	\$ 560,128	\$ 584,708	\$ 24,580

VILLAGE OF EDMORE

SPECIAL REVENUE FUND – ECONOMIC DEVELOPMENT FUND

BUDGETARY COMPARISON SCHEDULE

Year Ended February 29, 2008

	<i>Budgeted Amounts</i>			<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>	<i>Actual</i>	
Revenues:				
Charges for services	\$ 250	\$ 250	\$ -	\$ (250)
Interest and rents	8,315	14,180	13,813	(367)
Loan repayments	-	-	57,032	57,032
Total revenues	<u>8,565</u>	<u>14,430</u>	<u>70,845</u>	<u>56,415</u>
Expenditures:				
Current				
Community and economic development	<u>800</u>	<u>800</u>	<u>300</u>	<u>(500)</u>
Total expenditures	<u>800</u>	<u>800</u>	<u>300</u>	<u>(500)</u>
Excess (deficiency) of revenues over expenditures	7,765	13,630	70,545	56,915
Fund balance, beginning of year	<u>384,441</u>	<u>384,441</u>	<u>384,440</u>	<u>(1)</u>
Fund balance, end of year	<u>\$ 392,206</u>	<u>\$ 398,071</u>	<u>\$ 454,985</u>	<u>\$ 56,914</u>

OTHER SUPPLEMENTAL INFORMATION

VILLAGE OF EDMORE

GENERAL FUND

DETAILED SCHEDULE OF REVENUES

Year Ended February 29, 2008

Current Taxes:

Property taxes	\$ 252,778
Penalties and interest on taxes	48
Administration fees	2,755
Payment in lieu of taxes	7,941
	<u>263,522</u>

Licenses and permits:

CATV franchise fees	1,247
	<u>1,247</u>

State Grants:

State revenue sharing - sales tax	119,625
	<u>119,625</u>

Charges for services:

Refuse collection fees	11,029
Cemetery fees	5,631
Zoning/Variance/Appeals fees	105
	<u>16,765</u>

Interest and rents:

Interest	41,863
Rents	12,650
	<u>54,513</u>

Other Revenue:

Cemetery lots/perpetual care	325
Contributions and donations	13,500
Refunds and rebates	9,111
Other	876
	<u>23,812</u>
Total revenues	<u>\$ 479,484</u>

VILLAGE OF EDMORE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES

Year Ended February 29, 2008

General Government:

Village Council:

Personnel	\$ 3,780
Fringe benefits	652
Supplies	790
Contracted services	163
Dues and memberships	1,034
Printing and publications	906
Other	2,139
	<u>9,464</u>

Village Manager:

Personnel	23,471
Fringe benefits	11,031
Supplies	1,213
Contracted services	396
Telephone	1,245
Dues and memberships	110
Education and training	385
	<u>37,851</u>

Office Administration and Accounting:

Personnel	5,944
Fringe benefits	3,987
Supplies	2,101
Contracted services	4,579
Telephone	1,196
	<u>17,807</u>

Clerk:

Personnel	870
Fringe benefits	135
Printing and publications	242
	<u>1,247</u>

Audit:

Contracted services	2,050
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Treasurer:

Personnel	576
Fringe benefits	103
Supplies	440
Contracted services	460
	<u>1,579</u>

VILLAGE OF EDMORE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 29, 2008

General Government, continued:

Hall and Grounds:

Supplies	184
Contracted services	650
Utilities	3,600
	<u>4,434</u>

Cemetery:

Personnel	23,000
Fringe benefits	15,648
Supplies	1,984
Utilities	74
Equipment rental	14,787
	<u>55,493</u>

Other Governmental Services:

Contracted services	<u>1,980</u>
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Total general government	<u>131,905</u>
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Public Works:

Department of Public Works:

Personnel	30,685
Fringe benefits	14,712
Supplies	1,614
Contracted services	3,948
Telephone	1,657
Utilities	6,306
Equipment rental	6,866
	<u>65,788</u>

Street Lights:

Utilities	<u>21,121</u>
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Refuse:

Personnel	11,698
Fringe benefits	6,393
Supplies	8,245
Contracted services	39,300
Equipment rental	6,331
	<u>71,967</u>

Total public works	<u>158,876</u>
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VILLAGE OF EDMORE

GENERAL FUND

DETAILED SCHEDULE OF EXPENDITURES, CONTINUED

Year Ended February 29, 2008

Recreation:

Parks and Recreation:

Personnel	6,445
Fringe benefits	3,496
Supplies	1,185
Contracted services	2,977
Utilities	1,489
Equipment rental	<u>1,236</u>
Total recreation	<u>16,828</u>

Other:

Insurance and bonds	<u>11,052</u>
Total other	<u>11,052</u>

Capital Outlay:

General government	<u>13,195</u>
Total capital outlay	<u>13,195</u>
Total expenditures	331,856

Other Financing Uses:

Transfers to other funds	<u>79,500</u>
Total expenditures and other financing uses	<u>\$ 411,356</u>

VILLAGE OF EDMORE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING BALANCE SHEET

February 29, 2008

	<u>Special Revenue Funds</u>			<i>Total</i>
	<i>Major</i>	<i>Local</i>		<i>Nonmajor</i>
	<i>Street</i>	<i>Street</i>	<i>Police</i>	<i>Governmental</i>
	<i>Fund</i>	<i>Fund</i>	<i>Fund</i>	<i>Funds</i>
Assets:				
Cash and cash equivalents	\$ 267,912	\$ 245,285	\$ 16,888	\$ 530,085
Due from other governmental units	12,940	4,897	-	17,837
Due from other funds	-	3,235	-	3,235
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 280,852</u>	<u>\$ 253,417</u>	<u>\$ 16,888</u>	<u>\$ 551,157</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 168	\$ 168
Accrued expenses	129	305	758	1,192
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>3,364</u>	<u>305</u>	<u>926</u>	<u>4,595</u>
Fund balances:				
Unreserved:				
Special revenue funds	<u>277,488</u>	<u>253,112</u>	<u>15,962</u>	<u>546,562</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>277,488</u>	<u>253,112</u>	<u>15,962</u>	<u>546,562</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 280,852</u>	<u>\$ 253,417</u>	<u>\$ 16,888</u>	<u>\$ 551,157</u>

VILLAGE OF EDMORE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended February 29, 2008

	<i>Special Revenue Funds</i>			<i>Total Nonmajor Governmental Funds</i>
	<i>Major Street Fund</i>	<i>Local Street Fund</i>	<i>Police Fund</i>	
Revenues:				
State grants	\$ 72,030	\$ 31,832	\$ 2,090	\$ 105,952
Contributions from other units	1,747	-	976	2,723
Fines and forfeits	-	-	60	60
Interest and rents	5,448	5,936	-	11,384
Other revenue	-	200	1,002	1,202
Total revenues	<u>79,225</u>	<u>37,968</u>	<u>4,128</u>	<u>121,321</u>
Expenditures:				
Current				
Public safety	-	-	77,202	77,202
Public works	<u>26,040</u>	<u>52,006</u>	<u>-</u>	<u>78,046</u>
Total expenditures	<u>26,040</u>	<u>52,006</u>	<u>77,202</u>	<u>155,248</u>
Excess (deficiency) of revenues over expenditures	<u>53,185</u>	<u>(14,038)</u>	<u>(73,074)</u>	<u>(33,927)</u>
Other financing sources (uses):				
Transfers in	-	18,007	75,000	93,007
Transfers out	<u>(18,007)</u>	<u>-</u>	<u>-</u>	<u>(18,007)</u>
Total other financing sources (uses)	<u>(18,007)</u>	<u>18,007</u>	<u>75,000</u>	<u>75,000</u>
Net change in fund balance	35,178	3,969	1,926	41,073
Fund balances, beginning of year	<u>242,310</u>	<u>249,143</u>	<u>14,036</u>	<u>505,489</u>
Fund balances, end of year	<u>\$ 277,488</u>	<u>\$ 253,112</u>	<u>\$ 15,962</u>	<u>\$ 546,562</u>

VILLAGE OF EDMORE

FIDUCIARY FUNDS – AGENCY FUNDS

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

Year Ended February 29, 2008

	<u>March 1, 2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>February 29, 2008</u>
<u>CURRENT TAX COLLECTION</u>				
Assets:				
Cash and cash equivalents	\$ 51	\$ 258,266	\$ 258,266	\$ 51
Liabilities:				
Due to other funds	\$ 51	\$ 258,266	\$ 258,266	\$ 51
<u>PAYROLL FUND</u>				
Assets:				
Cash and cash equivalents	\$ 16,242	\$ 470,111	\$ 465,438	\$ 20,915
Liabilities:				
Accrued expenses	\$ 4,685	\$ 470,111	\$ 465,438	\$ 9,358
Due to other funds	11,557	-	-	11,557
	\$ 16,242	\$ 470,111	\$ 465,438	\$ 20,915
<u>GLENN CURTIS ESTATE</u>				
Assets:				
Cash and cash equivalents	\$ 14,523	\$ 102,067	\$ 88,544	\$ 28,046
Liabilities:				
Accounts payable	\$ 14,523	\$ 102,067	\$ 88,544	\$ 28,046
<u>TOTAL - ALL AGENCY FUNDS</u>				
Assets:				
Cash and cash equivalents	\$ 30,816	\$ 830,444	\$ 812,248	\$ 49,012
Liabilities:				
Accounts payable	\$ 14,523	\$ 102,067	\$ 88,544	\$ 28,046
Accrued expenses	4,685	470,111	465,438	9,358
Due to other funds	11,608	258,266	258,266	11,608
Total liabilities	\$ 30,816	\$ 830,444	\$ 812,248	\$ 49,012



REQUIRED COMMUNICATION TO THE VILLAGE OF EDMORE IN ACCORDANCE WITH PROFESSIONAL STANDARDS

To the Village Council
Village of Edmore

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Edmore for the year ended February 29, 2008, and have issued our report thereon dated May 1, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 24, 2005, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Village of Edmore are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the financial statements.

Disclosures

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Note number 14 about the donation from Hitachi Magnetics Corporation describes this major transaction.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 1, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of the Village of Edmore as of and for the year ended February 29, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Edmore's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Municipality's internal control. Accordingly, we do not express an opinion on the effectiveness of the Municipality's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Municipality's ability to initiate, authorize, record,

process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that misstatement of the Municipality's financial statements that is more than inconsequential will not be prevented or detected by the Municipality's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Municipality's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined above.

Deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above, follow:

Recording, Processing and Summarizing Accounting Data

Criteria: All governments are required to have in place internal controls over recording, processing, summarizing accounting data and preparing financial statements. SAS No. 112 requires us to communicate with you about this.

Conditions: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the recording, processing, summarizing accounting data and preparing financial statements as part of its external financial reporting process. Accordingly, the government has placed reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause: This condition was caused by the government's decision that it is more cost effective to have external auditors recommend the necessary adjusting journal entries to its general ledger and prepare the financial statements than to incur the time and expense for the government to perform these tasks internally.

Effect: As a result of this condition, the government lacks internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and instead relied, in part, on its external auditors for assistance with this task.

View of Responsible Officials: The government has evaluated the cost vs. benefit of establishing internal controls over the recording, processing, summarizing accounting data and preparing financial statements, and determined that it is in the best interests of the government to rely on its external auditors to recommend the necessary adjustments and preparation of the financial statements.

This communication is intended solely for the information and use of management, Council, and others within the Municipality, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Berthiaume & Co.

Berthiaume & Company
Certified Public Accountants

Saginaw, Michigan
May 1, 2008